



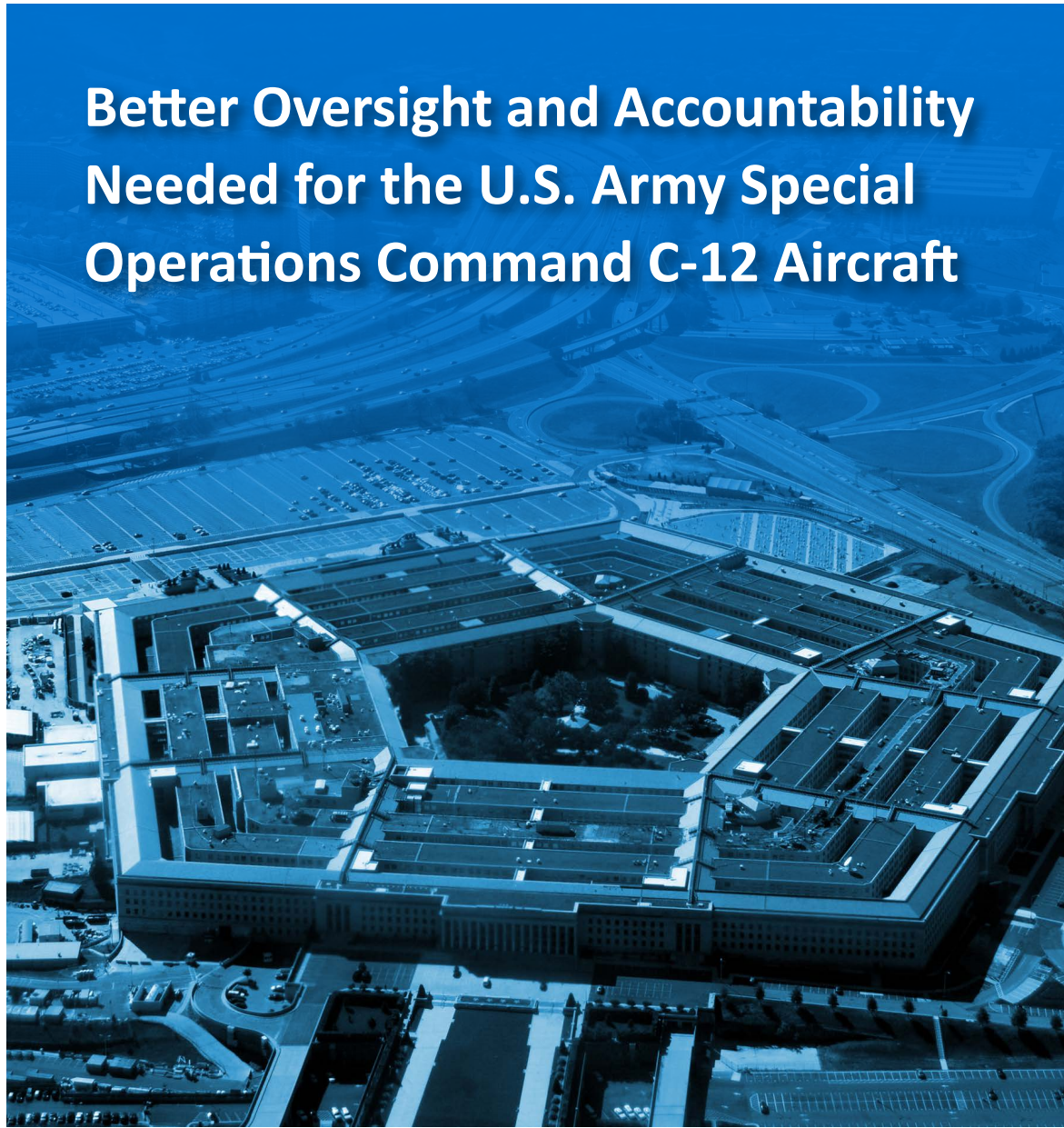
INSPECTOR GENERAL

Department of Defense

MAY 9, 2013



Better Oversight and Accountability Needed for the U.S. Army Special Operations Command C-12 Aircraft



INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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Mission

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Results in Brief

Better Oversight and Accountability Needed for the U.S. Army Special Operations Command C-12 Aircraft

May 9, 2013

Objective

We conducted this audit in response to a referral from the U.S. Army Office of the Inspector General. In August 2000, the Army transferred a C-12 Operational Support Airlift aircraft to the U.S. Special Operations Command (USSOCOM) to be used by the U.S. Army Special Operations Command (USASOC) for administrative travel of senior officials. We determined whether DoD had adequate oversight and accountability of the C-12 aircraft and whether USASOC officials complied with applicable Federal and DoD guidance when justifying the use of the aircraft.

Findings

USSOCOM officials did not provide adequate oversight and accountability of the USASOC C-12 aircraft in accordance with DoD guidance. USSOCOM officials did not report the aircraft in their Operational Support Airlift inventory for the Chairman of the Joint Chiefs of Staff's FY 2012 review. In addition, USSOCOM officials did not make the aircraft visible for centralized scheduling. This occurred because USSOCOM, Army G-3/5/7, and USASOC officials expressed confusion about who was responsible for providing oversight and accountability of the aircraft. As a result, USASOC may be operating an underused aircraft in excess of the required Operational Support Airlift aircraft inventory. In addition, DoD is at an increased risk that misuse of the aircraft by senior officials may occur and go undetected.

Findings Continued

Although USASOC officials generally complied with DoD guidance when requesting and approving the use of military airlift, they did not comply with Federal and DoD guidance when justifying the cost of using military airlift flights. Specifically, USASOC officials did not use the C-12's actual cost when determining the most cost effective flight for administrative travel. Instead, USASOC officials used the Army's FY 2011 standard cost of \$1,228 and FY 2012 standard cost of \$1,311. In addition, USASOC officials improperly reduced the cost in FY 2012 by \$262 (20-percent), to account for pilot training. This occurred because USSOCOM officials directed USASOC to use pre-established DoD rates and endorsed the training reduction to justify additional flights on the C-12 aircraft. As a result, DoD lacks reasonable assurance that USASOC officials used the most cost effective flights.

Recommendations

We recommend that the Commander, USSOCOM, assume responsibility for providing oversight and accountability of the C-12 aircraft, report the aircraft in their inventory, and make the aircraft visible for centralized scheduling. We also recommend that the Commanding General, USASOC, develop and use the actual cost per flying hour rate for the C-12 aircraft.

Comments

All required commands responded; comments were responsive and met the intent of our recommendations. No additional comments are required.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense for Acquisition, Technology, and Logistics		B.1
Commander, U.S. Special Operations Command		A.1, A.2
Commanding General, U.S. Army Special Operations Command		B.2



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

May 9, 2013

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Better Oversight and Accountability Needed for the U.S. Army Special
Operations Command C-12 Aircraft (Report No. DODIG-2013-080)

We are providing this report for your information and use. We conducted this audit in response to a U.S. Army Office of the Inspector General referral. In August 2000, the Army transferred a C-12 Operational Support Airlift aircraft to the U.S. Special Operations Command to be used by the U.S. Army Special Operations Command for administrative travel. However, U.S. Special Operations Command officials did not assume responsibility for providing oversight and accountability of the aircraft. In addition, U.S. Army Special Operations Command officials did not comply with Federal and DoD guidance when justifying the cost of using the aircraft.

We considered management comments on a draft of this report when preparing the final report. Comments from the Assistant Secretary of Defense for Logistics and Materiel Readiness responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics, and comments from the U.S. Special Operations Command, and U.S. Army Special Operations Command conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905 (DSN 664-8905).

A handwritten signature in cursive script, reading "Amy J. Frontz", is positioned above the printed name.

Amy J. Frontz
Principal Assistant Inspector General
for Auditing

cc: Director, Joint Staff

Contents

Introduction

Objective	1
Background	1
Review of Internal Controls	3

Finding A: U.S. Special Operations Command Did Not Provide Adequate Oversight and Accountability of the Aircraft

Aircraft Not Reported to the Chairman of the Joint Chiefs of Staff	4
Officials Did Not Make the Aircraft Visible for Scheduling	4
Officials Expressed Confusion About Responsibility for Oversight and Accountability	5
Lack of Compliance Could Make Aircraft Susceptible to Misuse	6
Recommendation, Management Comments, and Our Response	6

Finding B: U.S. Army Special Operations Command Partially Complied With Government Aircraft Guidance

Guidance for the Use of Government Aircraft	8
Officials Generally Complied With Guidance for Using Government Aircraft	9
Officials Did Not Comply With Guidance To Justify Costs	10
U.S. Special Operations Command Directed Use of DoD Rates and Endorsed the Training Reduction	11
Most Cost Effective Flights May Not Have Been Used	12
Recommendations, Management Comments, and Our Response	13

Appendix

Scope and Methodology	15
Use of Computer-Processed Data	15
Use of Technical Assistance	16

Management Comments

Assistant Secretary of Defense for Logistics and Materiel Readiness	17
U.S. Special Operations Command	18
U.S. Army Special Operations Command	19

Acronyms and Abbreviations



A C-12 Huron aircraft prepares to land at dusk at an undisclosed air base.

Source: U.S. Air Force photo <http://www.defenseimagery.mil/>

Introduction

Objective

We conducted this audit in response to a referral from the U.S. Army Office of the Inspector General. Our objective was to determine whether U.S. Army Special Operations Command (USASOC) officials were complying with applicable Federal and DoD guidance when justifying the use of Military Airlift (MILAIR) aircraft. We also determined whether DoD had adequate oversight and accountability of the C-12 aircraft. See the appendix for a discussion of the audit scope and methodology.

Background

In May 2012, Department of the Army Inspector General officials conducted an investigation into allegations of MILAIR misuse at USASOC. The officials substantiated one allegation that a senior USASOC official traveled on MILAIR without proper approval. During the preliminary inquiry, Department of the Army Inspector General officials expressed concerns with the costs used to justify MILAIR requests.

Army G-3/5/7

The Deputy Chief of Staff, Army G-3/5/7, is responsible for annually reviewing and establishing Army aircraft requirements. The Army G-3/5/7 establishes aviation policy and oversees aviation program execution providing a single Army aviation point of contact for field Commanders and Joint Staff officials.

U.S. Special Operations Command

U.S. Special Operations Command (USSOCOM) is a Combatant Command responsible for providing fully capable special operations forces to defend the United States and its interests. To fulfill those responsibilities, USSOCOM receives Major Force Program-11 funds, a specific appropriation to support the development, acquisition, and sustainment activities of special operations equipment. USSOCOM provides those funds to each of its four subordinate commands, including USASOC, for the purposes of conducting operations and maintaining equipment.

USASOC

USASOC is both a U.S. Army Service Component Command and a subordinate command to USSOCOM. USASOC is responsible for training, mobilizing, and sustaining Army special operations forces and conducting special operations worldwide in support of Combatant

Commanders and other agencies, as directed. Within USASOC, the Army Special Operations Aviation Command is responsible for providing aviation support to USASOC, which includes operating USASOC aircraft.

USASOC C-12 Aircraft

In August 2000, the Army transferred a C-12 Operational Support Airlift (OSA) aircraft to USSOCOM. The C-12 aircraft was to be used by USASOC for administrative travel¹ of senior officials. OSA aircraft, as defined by DoD guidance, are fixed-wing aircraft acquired or retained primarily for the movement of high-priority passengers with time-, place-, or mission-sensitive requirements. The C-12 aircraft, valued at \$800,865, has a maximum seating capacity of seven passengers and two crew members. See figures 1 and 2 for exterior and interior pictures of the aircraft.

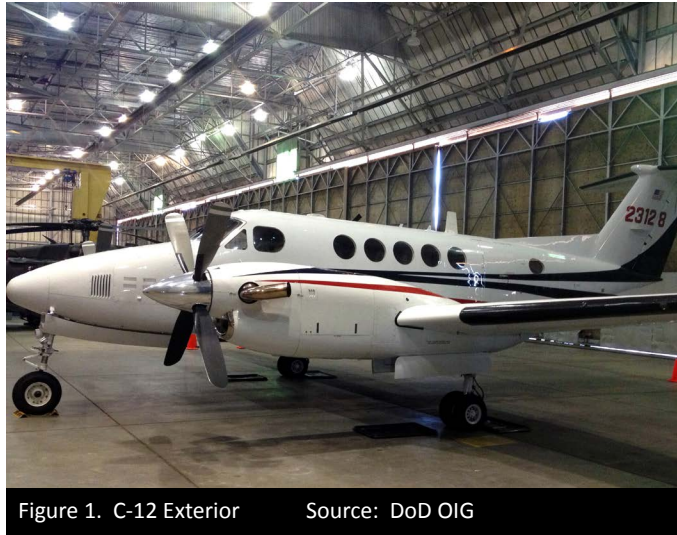


Figure 1. C-12 Exterior

Source: DoD OIG



Figure 2. C-12 Interior

Source: DoD OIG

USASOC officials maintain and operate the C-12 aircraft using USSOCOM Major Force Program-11 operations and maintenance funds. In addition, USASOC officials program 480 hours per year to fly the aircraft. From June 2011 through September 2012, USASOC officials flew 97 OSA missions on the aircraft to give speeches and attend conferences, meetings, site visits, or training.

¹ Administrative travel, also referred to as "other official travel," is travel to give speeches or to attend conferences, meetings, site visits, or training. A USASOC official also stated that the C-12 aircraft was used for staff coordination meetings with both USSOCOM and the Department of the Army.

Military Airlift Guidance

The Under Secretary of Defense for Acquisition, Technology, and Logistics maintains two issuances prescribing guidance for MILAIR travel and OSA aircraft. DoD Directive 4500.56, “DoD Policy on the Use of Government Aircraft and Air Travel,” April 14, 2009, establishes policy for the transportation of DoD passengers and the use of Government aircraft. DoD Instruction 4500.43, “Operational Support Airlift (OSA),” May 18, 2011, establishes policy, assigns responsibility, and provides procedures for the use of OSA aircraft.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses. Specifically, USSOCOM officials did not provide adequate oversight and accountability of the C-12 aircraft. Furthermore, USSOCOM improperly directed USASOC to use procedures not in compliance with Federal and DoD cost guidance. We will provide a copy of the report to the senior officials responsible for internal controls at USSOCOM.


Finding A

U.S. Special Operations Command Did Not Provide Adequate Oversight and Accountability of the Aircraft

USSOCOM did not provide adequate oversight and accountability of the USASOC C-12 aircraft in accordance with DoD guidance. Specifically, USSOCOM officials did not report the aircraft in their OSA inventory for the Chairman of the Joint Chiefs of Staff's FY 2012 review. In addition, USSOCOM officials did not make the aircraft visible for centralized scheduling. This occurred because USSOCOM, Army G-3/5/7, and USASOC officials expressed confusion about who was responsible for providing oversight and accountability of the aircraft. As a result, USASOC may be operating an underused aircraft in excess of the required OSA aircraft inventory. In addition, DoD is at an increased risk that misuse of the aircraft by senior officials may occur and go undetected.

Aircraft Not Reported to the Chairman of the Joint Chiefs of Staff

USSOCOM officials did not comply with DoD Instruction 4500.43, which requires the Secretaries of the Military Departments and the Combatant Commanders to annually report OSA aircraft inventories to the Chairman of the Joint Chiefs of Staff. Specifically, USSOCOM officials stated that the USASOC C-12 aircraft was not included in their OSA aircraft inventory. Joint Staff officials responsible for conducting the FY 2012 review verified the USASOC C-12 aircraft was not included in the OSA aircraft inventory. DoD Instruction 4500.43 requires the Chairman of the Joint Chiefs of Staff to review the OSA aircraft inventory and validate wartime requirements used to determine the appropriate fleet size. On completion of the review, DoD Components are required to dispose of any excess aircraft. As a result of not including the aircraft in the review, DoD is at an increased risk that USASOC may be operating the C-12 aircraft in excess of the required OSA aircraft inventory.



DoD Components are required to dispose of any excess aircraft.

Officials Did Not Make the Aircraft Visible for Scheduling

USSOCOM officials did not comply with DoD Instruction 4500.43, which requires the Secretaries of the Military Departments and the Combatant Commanders to provide

visibility of OSA aircraft to U.S. Transportation Command (USTRANSCOM) for centralized scheduling.² Instead, USASOC officials stated that the aircraft was retained exclusively for their own use and that no other commands had ever used it. USTRANSCOM officials verified that they had no visibility of the C-12 aircraft and that USASOC had never offered the aircraft for centralized scheduling. A USASOC official also stated that USASOC might not be able to offer the C-12 aircraft to USTRANSCOM because USASOC does not have pilots specifically dedicated to the C-12 aircraft. Instead, pilots are only available to fly the C-12 aircraft when they are not flying other aircraft.

Had USSOCOM officials made the aircraft visible for centralized scheduling, they could have increased the use of the aircraft by scheduling it for other missions. For example, from June 2011 through September 2012, USASOC officials flew the C-12 aircraft on average only 11 days per month, leaving approximately 19 days per month the C-12 aircraft could have been made available for other missions. Furthermore, of the 480 programmed flying hours per year, USASOC reported flying only 253 hours (53 percent) in FY 2011 and 359 hours (75 percent) in FY 2012. In contrast, the Army programs 600 flying hours per year for its C-12 aircraft fleet. The Army National Guard, who operates 57 of the 80 Army C-12 aircraft in the United States, reported that on average each C-12 in its fleet flew 519 hours (87 percent) in FY 2011 and 507 hours (85 percent) in FY 2012. One USASOC official attributed the low usage in FY 2011 and FY 2012 to extended periods of maintenance when the aircraft could not be used.

Officials Expressed Confusion About Responsibility for Oversight and Accountability

USSOCOM, Army G-3/5/7, and USASOC officials expressed confusion about who was responsible for providing oversight and accountability of the aircraft. Although USSOCOM officials were responsible for reviewing and approving a limited number of C-12 flight requests, USSOCOM officials stated that USASOC was responsible for the C-12 aircraft because it was included on USASOC's property records. A USASOC official stated that USASOC reports the aircraft's usage and status to the Army. An Army G-3/5/7 official stated that he was aware of the aircraft because USASOC reports the usage and status to them. However, the official stated that USSOCOM was responsible for oversight and accountability because the Army transferred the aircraft to USSOCOM. USSOCOM should assume oversight and accountability responsibilities for the C-12 aircraft to include reporting it to the Chairman of the Joint Chiefs of Staff for the FY 2013 OSA inventory review, and making it visible to USTRANSCOM for centralized scheduling.

² USTRANSCOM centrally schedules and coordinates joint service OSA flights for high priority DoD passengers with time-, place-, and mission-sensitive requirements in the Continental United States.

Lack of Compliance Could Make Aircraft Susceptible to Misuse

A lack of compliance with DoD guidance when using MILAIR could make the C-12 aircraft susceptible to misuse as evidenced by three recent inquiries of senior military officials.³ MILAIR misuse identified in the inquiries included, but was not limited to, lack of proper approval and insufficient documentation to support personal or unofficial travel, failure to use the most economic mode of transportation, and failure to reimburse the Government for such travel. Until USSOCOM implements corrective action to improve oversight and accountability, DoD will continue to be at an increased risk that the C-12 aircraft could be misused and go undetected.

Recommendation, Management Comments, and Our Response

A.1 Recommendation

We recommend the Commander, U.S. Special Operations Command, assume overall responsibility for oversight and accountability of the aircraft, to include reporting the C-12 aircraft to the Chairman of the Joint Chiefs of Staff annually and before the completion of their FY 2013 Operational Support Airlift review.

U.S. Special Operations Command Comments

The Chief of Staff, USSOCOM, responding for the Commander, agreed with the recommendation and stated that the USASOC C-12 aircraft has already been added to the USSOCOM FY 2013 OSA validation numbers.

Our Response

Comments from the Chief of Staff were responsive, and no additional comments are required.

³ Redacted investigation reports are available from <http://www.dodig.mil/foia/readingroom.html>

(1) DoD IG Report No. 11-119226-153, "Report of Investigation: General William E. Ward, U.S. Army Commander, U.S. AFRICOM," June 26, 2012

(2) DoD IG Report No. 11H118481105, "Report of Investigation: Admiral James G. Stavridis, U.S. Navy Commander, United States European Command, and Supreme Allied Commander, Europe," May 3, 2012

(3) DoD IG Report No. H10L113678016, "Alleged Misconduct: Major General Robert B. Newman, U.S. Air Force Formerly the Adjutant General, Virginia National Guard and Brigadier General Stephen L. Huxtable, U.S. Army, Formerly the Assistant Adjutant General, Army, Virginia Army National Guard," May 24, 2011

A.2 Recommendation

We recommend the Commander, U.S. Special Operations Command, assume overall responsibility for oversight and accountability of the aircraft, to include providing visibility of the C-12 aircraft to the U.S. Transportation Command and offering the aircraft to them for centralized scheduling.

U.S. Special Operations Command Comments

The Chief of Staff, USSOCOM, responding for the Commander, agreed with the recommendation. The Chief of Staff stated that USSOCOM is exploring the procedures and requirements to implement the Joint Air Logistics Information System at USASOC. Depending on the availability of the Joint Air Logistics Information System user training, the system will be implemented between 90 and 120 days.

Our Response

Comments from the Chief of Staff were responsive. We contacted a USSOCOM official for clarification on comments to Recommendation A.2. The official stated that USTRANSCOM had adopted the Joint Air Logistics Information System as the standard system for requesting and centrally scheduling OSA flights. The USSOCOM official also stated that once the system is implemented they will upload the C-12 aircraft's information, which will provide visibility to USTRANSCOM officials for scheduling. Therefore, we do not require additional comments.

Finding B

U.S. Army Special Operations Command Partially Complied With Government Aircraft Guidance

USASOC officials partially complied with guidance when requesting, approving, and justifying the use of Government aircraft. USASOC officials generally complied with DoD guidance when requesting and approving the use of Government aircraft for MILAIR. Of the 134 flight requests we reviewed from June 2011 through September 2012, USSOCOM or USASOC officials properly reviewed 102, did not properly approve 5, and canceled 27 for other reasons. However, USASOC officials did not comply with Federal and DoD guidance when justifying the use of MILAIR flights based on a cost comparison with commercial airline flights. Specifically, USASOC officials did not use the C-12's actual cost when determining the most cost effective flight for administrative travel. Instead, USASOC officials used the Army's FY 2011 standard cost of \$1,228 and FY 2012 standard cost of \$1,311. In addition, USASOC officials improperly reduced the FY 2012 cost by \$262 (20-percent), to account for pilot training. This occurred because USSOCOM officials directed USASOC to use pre-established DoD rates and endorsed a request from USASOC to use the training reduction to justify additional flights on the C-12 aircraft. As a result, DoD lacks reasonable assurance that USASOC officials used the most cost effective flights for administrative travel.

Guidance for the Use of Government Aircraft

Office of Management and Budget Circular A-126, "Improving the Management and Use of Government Aircraft," May 22, 1992 (the Circular), DoD Directive 4500.56, and DoD Instruction 4500.43 provide guidance for using Government aircraft. Specifically, they provide guidance for requesting, approving, and developing cost comparisons when determining whether Government aircraft should be used. To justify using a Government aircraft, the actual cost of using the aircraft must be less than the cost of taking commercial airline flights.

To calculate the actual cost of a Government aircraft flight, the Circular states that the actual cost is the variable cost of using the aircraft. The Circular defines variable costs as those costs that vary depending on how much the aircraft is used. The Circular requires agencies to develop a cost per flying hour rate⁴ for each aircraft in their inventory before

⁴ The cost per flying hour rate is the variable cost to operate a Government aircraft per annually programed hours the aircraft will fly.

the beginning of each fiscal year. The cost per flying hour rates are developed by calculating specific variable cost elements, which include the annual scheduled and unscheduled maintenance, major component repairs and overhaul, and fuel and other fluids, and then dividing by the programmed annual flying hours for the aircraft. DoD Instruction 4500.43 provides additional guidance on the types of costs not to be included in the variable cost per flying hour rate. Specifically, acquisition cost, military pay and allowances, civilian pay, and training costs directly associated with aircrew training,⁵ will not be included in cost per flying hour rates, because these costs are required to maintain military readiness and a wartime capability. The variable cost per flying hour rate is then multiplied by the estimated number of flying hours to calculate the actual cost of using a Government aircraft.

DoD Instruction 4500.43 requires the senior DoD official traveling to submit a request to use MILAIR. To determine the most cost effective means of travel, the request includes a comparison of MILAIR costs to commercial airline costs. To calculate commercial airline costs, officials are required to use the Government contracted commercial airline rate and add additional costs such as travel time, applicable per diem, rental cars, lodging, and employees' lost work time. If MILAIR is deemed to be more cost effective than commercial airline flights, DoD Directive 4500.56 requires the requests to be reviewed and approved by at least one organizational level above the senior official traveling.

Officials Generally Complied With Guidance for Using Government Aircraft

USASOC officials generally complied with DoD guidance when requesting and approving MILAIR. Of the 134 flight requests we reviewed from June 2011 through September 2012, USSOCOM or USASOC officials properly reviewed 102, did not properly approve 5, and canceled 27 for other reasons. Of the 102 properly reviewed flight requests, 92 were approved and 10 were denied or canceled because the commercial flight was more cost effective. USASOC officials compared the cost of MILAIR to commercial air travel, which included using the Government contracted commercial airline rate, additional travel time, applicable per diem, rental cars, lodging, and employees' lost work time. When MILAIR was determined to be more cost effective, USASOC officials received approval to use MILAIR from officials' one organizational level above the senior traveler for most flight requests. However, USASOC officials could not provide documentation supporting the proper approval of five flights on the C-12 aircraft.

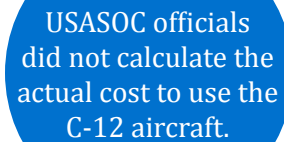
⁵ The Circular also states that the costs of training crew members are not variable costs because the costs of training crew members do not vary according to aircraft usage. As a result, the costs of training crew members should not be included in the cost per flying hour rate.

Officials Did Not Comply With Guidance To Justify Costs

USASOC officials did not comply with Federal and DoD guidance to justify the cost of using the C-12 aircraft for administrative travel. Specifically, USASOC officials did not use the C-12's actual cost when determining the most cost effective flight for administrative travel. Instead, USASOC officials used both the Army's FY 2011 and FY 2012 standard cost per flying hour rate. USASOC officials also improperly reduced the FY 2012 rate to account for pilot training.

USASOC officials did not calculate the actual cost to use the C-12 aircraft in compliance with the Circular and DoD Instruction 4500.43. Specifically, USASOC did not calculate the cost per flying hour rate for the C-12 aircraft, despite having access to actual cost data. For example, USASOC officials had access to the C-12 annual maintenance costs, including the routine maintenance and the cost to replace aircraft components such as the propellers, engines, and cockpit.⁶

USASOC officials could have used those costs to calculate the cost per flying hour rate for the C-12 aircraft. Instead, USASOC officials used the Army's standard C-12 cost per flying hour rate when justifying the use of the aircraft. Specifically, USASOC used the FY 2011 Army standard cost per flying hour rate of \$1,228 and continued to use that rate through March 2012. In March 2012, USASOC officials began using the FY 2012 Army standard cost per flying hour rate of \$1,311. However, USASOC's use of the Army standard rate is not representative of the actual cost to operate the USASOC C-12 aircraft. For example, the Army calculates its rate using its own contracted maintenance cost divided by 600 programmed flying hours per year. USASOC maintains its own maintenance costs and programs only 480 flying hours per year.



USASOC officials did not calculate the actual cost to use the C-12 aircraft.

USASOC officials also improperly reduced the Army's \$1,311 FY 2012 standard C-12 cost per flying hour rate by \$262 (20-percent) to account for pilot training. DoD Instruction 4500.43 states that costs directly associated with aircrew training will not be included in the cost per flying hour rate because these costs are required to maintain military readiness and a wartime capability. This exclusion of aircrew training costs is consistent with the calculation of variable costs required by the Circular. Because aircrew training costs are not considered a variable cost element when calculating the variable cost per flying hour rate, USASOC lacked justification for subsequently reducing the Army's standard cost per flying

⁶ USASOC officials provided FY 2012 routine maintenance cost data of \$144,000. USASOC officials also provided historical cost data of \$83,758 to replace the propellers and \$258,684 to upgrade the cockpit. USASOC officials plan to replace the engines in FY 2013 for about \$850,000.

hour rate to account for pilot training. In addition, USASOC pilots flew 40 separate training missions on the C-12 aircraft in FY 2012.

Without the training reduction, a USASOC official stated that USASOC could not justify as many flights when comparing the cost between MILAIR and commercial flights. For example, on July 15, 2012, a USASOC official approved a C-12 aircraft flight that would not have been justified had the 20-percent training reduction not been used when comparing the cost of MILAIR to commercial flights. See Table for a comparison of the costs related to this trip.

Table. Comparison of a July 15, 2012, MILAIR Request With and Without the Training Reduction

	MILAIR Cost			Commercial Airline Cost	Cost Difference	Most Cost Effective Flight
	Cost of Flight	Training Reduction	Total Cost			
With Training Reduction	\$4,723*	(\$945)	\$3,778	\$3,863	\$85	MILAIR
Without Training Reduction	\$4,723*	\$0	\$4,723	\$3,863	\$(860)	Commercial Airline

Source: DoD OIG

* The costs depicted in this table were generated by USASOC officials to justify the MILAIR flight and include the improperly-used Army standard rate.

U.S. Special Operations Command Directed Use of DoD Rates and Endorsed the Training Reduction

USSOCOM officials directed USASOC to use pre-established DoD rates and endorsed the training reduction in FY 2012. On November 12, 2010, the Chief of Administrative and Civil Law, USSOCOM, at the direction of the Deputy Commander, USSOCOM, sent an e-mail requiring all Components to use established DoD cost per flying hour rates when justifying the use of MILAIR instead of commercial airline flights. The direction included the DoD FY 2011 cost per flying hour rates reported by the Under Secretary of Defense, Comptroller's office. Consequently, USASOC officials began using the standard Army cost per flying hour rate for FY 2011. However, USASOC's use of the Army standard rate is not in compliance with the Circular and is not representative of the actual cost to operate the USASOC C-12 aircraft.

USASOC officials requested USSOCOM approve a 20-percent reduction in the FY 2012 Army standard flying hour rate to account for training. The USSOCOM Chief of Administrative

and Civil Law endorsed the request on February 24, 2012, stating that the Army also allows the reduction. Army officials stated that reducing the cost per flying hour for training has been an Army standard practice. One Army G-3/5/7 official stated that the Army interprets the guidance in DoD Instruction 4500.43 as restricting only emergency procedures training from the cost per flying hour rate because the Instruction specifically lists emergency procedures training. However, the Instruction states:

For determining military aircraft cost: (a) Acquisition cost, military pay and allowances, civilian pay, and training costs (directly associated with aircrew training; e.g., emergency procedures training, which excludes the ability to carry passengers and cargo) shall not be included in determining the hourly cost comparison rate since these costs are required to maintain military readiness and a wartime capability.

We interpret this guidance as stating that emergency procedures training are only one example of training costs that should not be included in the cost per flying hour rate. Additionally, as noted earlier, the Circular excludes aircrew training costs from the calculation of variable costs. The Under Secretary of Defense for Acquisition, Technology, and Logistics, as the proponent of DoD Instruction 4500.43, should update DoD Instruction 4500.43 to clarify costs, including aircrew training costs that will not be included when determining the cost per flying hour rate for OSA aircraft.

Most Cost Effective Flights May Not Have Been Used

USASOC's use of the Army's standard cost per flying hour rate did not result in a proper cost comparison for at least 97 C-12 aircraft flights from June 2011 through September 2012. Until USASOC begins using the C-12's actual cost per flying hour rate when determining whether MILAIR or commercial flights are more cost effective, DoD will continue to lack reasonable assurance that USASOC officials used the most cost effective flight. Additionally, the use of the Army's standard C-12 cost per flying hour rate in FY 2013 may limit the aircraft's use because the Army's standard cost per flying hour rate increased 26 percent from \$1,311 in FY 2012 to \$1,646 in FY 2013, whereas USASOC's actual cost per flying hour rate for the C-12 may be less. USASOC should develop and use the actual cost per flying hour rate for justifying the use of its C-12 aircraft.

Management Comments on the Finding and Our Response

The Chief of Staff, USSOCOM, provided comments regarding USASOC using a 20-percent training reduction.

Management Comments on the Training Reduction

The Chief of Staff, USSOCOM, stated he disagrees that USSOCOM “directed” USASOC to apply a 20-percent training reduction when calculating costs for the C-12 aircraft. He added that USSOCOM provided its legal opinion but did not direct USASOC to use the training reduction. The complete text of the Chief of Staff’s comments is in the Management Comments section of the report.

Our Response

We agree that USSOCOM officials did not direct USASOC to use the 20-percent reduction. As stated in the report, USSOCOM endorsed the request to use the 20-percent reduction and directed USASOC to use pre-established DoD rates.

Recommendations, Management Comments, and Our Response

B.1 Recommendation

We recommend the Under Secretary of Defense for Acquisition, Technology, and Logistics update DoD Instruction 4500.43 to clarify costs, including aircrew training costs, that will not be included when determining the cost per flying hour rate for Operational Support Aircraft.

Assistant Secretary of Defense for Logistics and Materiel Readiness Comments

The Assistant Secretary of Defense for Logistics and Materiel Readiness, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics, agreed with the recommendation. He stated that Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics officials have formed a working group to determine exactly what changes are needed to meet the intent of the recommendation.

Our Response

Comments from the Assistant Secretary of Defense for Logistics and Materiel Readiness, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics, were responsive, and no additional comments are required.

B.2 Recommendation

We recommend the Commanding General, U.S. Army Special Operations Command develop and use the actual cost per flying hour rate for the C-12 aircraft.

U.S. Army Special Operations Command Comments

The Chief of Staff, USASOC, responding for the Commanding General, agreed with the recommendation. He stated that USASOC officials have developed an actual cost per flying hour and will begin using it once it is approved by USSOCOM.

Our Response

Comments from the Chief of Staff were responsive, and no additional comments are required.

Appendix

Scope and Methodology

We conducted this performance audit from August 2012 through March 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objective, we coordinated with or interviewed officials from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics; Joint Staff, J-4 Logistics; USSOCOM; USTRANSCOM; the Department of the Army G-3/5/7; USASOC; and the U.S. Army Operational Support Airlift Agency. We also reviewed and analyzed Federal, DoD, Army, and USSOCOM guidance.

We conducted site visits to USSOCOM, USTRANSCOM, and USASOC from September 2012 through November 2012. In addition, we reviewed USASOC MILAIR flight requests and supporting documentation. Specifically, we obtained 166 MILAIR flight requests submitted from June 6, 2011, through September 18, 2012, to determine whether USASOC properly requested, approved, and justified MILAIR flights. From the 166 flight requests, we limited our review to the 134 requests for travel on the USASOC C-12 aircraft. The remaining 32 requests were for travel on other aircraft. In addition, we conducted a completeness test of 36 flight requests to determine if the population of 166 requests in the legal department contained all 134 requests for the USASOC C-12 aircraft in the flight request validator office. Our statistical sample of 36 yielded no exceptions. We reviewed contracts for the C-12 aircraft to determine actual maintenance and repairs costs. We also reviewed and analyzed flight logs from the USASOC flight detachment to determine how many hours the USASOC C-12 was used per year compared to the number of hours it was programmed.

Use of Computer-Processed Data

We used computer-processed data from a USASOC Microsoft Access database to determine whether the flight request documents we obtained from USASOC were complete. We compared the data from the spreadsheet to the hard-copy flight request documents to ensure our universe was complete. Based on the comparison, we determined that the computer-processed data were sufficiently reliable to support our findings and conclusions.

Use of Technical Assistance

We consulted with the OIG Quantitative Methods Division to obtain a statistical sample to verify the completeness of the MILAIR universe in the USASOC flight request validator office and with the universe in the USASOC legal department.

Prior Coverage

No prior audit coverage has been conducted on the justification of MILAIR during the last 5 years.

Management Comments

Assistant Secretary of Defense for Logistics and Materiel Readiness



LOGISTICS AND
MATERIEL READINESS

ASSISTANT SECRETARY OF DEFENSE
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

APR 26 2013

MEMORANDUM FOR DIRECTOR FOR JOINT AND SOUTHWEST ASIA OPERATIONS,
OFFICE OF THE INSPECTOR GENERAL

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS *ns 4/29/13*

SUBJECT: Response to DoDIG Draft Report "Better Oversight and Accountability Needed for the U.S. Army Special Operations Command C-12 Aircraft" (Project No. D2012-D000JA-0193.000)

As requested, I am providing a response to a recommendation contained in the subject report.

Recommendation B.1: We recommend the Under Secretary of Defense for Acquisition, Technology, and Logistics update DoD Instruction 4500.43 to clarify costs, including aircrew training costs, that will not be included when determining the cost per flying hour rate for Operational Support Aircraft.

Response: Concur. My staff has begun discussions with a joint working group to determine appropriate changes to DoD Instruction 4500.43. My point of contact is [REDACTED]
[REDACTED]


Alan R. Estevez

U.S. Special Operations Command



UNITED STATES SPECIAL OPERATIONS COMMAND
OFFICE OF THE CHIEF OF STAFF
7701 TAMPA POINT BOULEVARD
MACDILL AIR FORCE BASE, FLORIDA 33621-5323

APR 26 2013

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, 4800
MARK CENTER DRIVE, ALEXANDRIA, VA 22350-1500

SUBJECT: Better Oversight and Accountability Needed for the U.S. Army Special
Operations Command C-12 Aircraft (Project No. D2012-D000JA-0193.000)

1. U.S. Special Operations Command (USSOCOM) appreciates the time and efforts of the Department of Defense (DOD) Inspector General in preparing the comprehensive report concerning oversight and accountability of the U.S. Army Special Operations Command (USASOC) C-12 Operational Support Airlift (OSA) aircraft. We have reviewed the draft report and provide the following comments in response to recommendations A.1 and A.2:

a. Recommendation A.1: Concur. The USASOC C-12 has already been added to the FY 13 OSA validation numbers.

b. Recommendation A.2: Concur. We are exploring the procedures and requirements for implementation of the Joint Air Logistics Information System (JALIS) at USASOC. We anticipate that implementation will require somewhere between 90 and 120 days, depending on the availability of JALIS training.

2. In addition to the comments above, we would like to highlight our disagreement with the statement that USSOCOM "directed" USASOC to apply a twenty percent training deduction when calculating costs for the C-12 aircraft. According to the available supporting documentation, USSOCOM provided a legal opinion indicating that such a deduction was permissible. Accordingly, while USSOCOM did opine that such a deduction could be applied, it did not direct that it must be applied.

3. The point of contact for this response is [REDACTED]

JAMES B. LASTER
Major General, U.S. Marine Corps
Chief of Staff

U.S. Army Special Operations Command



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY
SPECIAL OPERATIONS COMMAND
2929 DESERT STORM DRIVE
FORT BRAGG, NORTH CAROLINA 28310-9110

AOCS

25 April 2013

MEMORANDUM FOR AAA Audit Coordination and Follow-up Office

SUBJECT: Department of Defense Inspector General Draft Report (12JA-0193) Better Oversight and Accountability Needed for the U.S. Army Special Operations Command (USASOC) C-12 Aircraft

1. Reference email from the U.S. Army Audit Agency Audit Coordination and Follow-up Office, "S: 29 April 2013 - Comments Required on DoDIG Draft Report - Better Oversight and Accountability Needed for the U.S. Army Special Operations Command C-12 Aircraft. (12JA-0193)"

2. This draft report has one recommendation addressed to Commanding General, USASOC. Our response follows:

a. **Recommendation B.2.** We recommend the Commanding General, U.S. Army Special Operations Command develop and use the actual cost per flying hour rate for the C-12 aircraft.

b. **Command Comments:** Concur. USASOC has developed the actual cost per flying hour rate. USASOC will begin using the new rate when USSOCOM approves it.

3. For clarification, USASOC recommends that sentence at Footnote #3 be inserted into the paragraph itself on page 5.

4. Our security office determined the draft is UNCLASSIFIED.

5. Contact [REDACTED] Internal Review, [REDACTED] or [REDACTED] for additional information.

Eurt L. Sonntag
EURT L. SONNTAG
Colonel, GS
Chief of Staff

Final Report Reference

Revised page 5,
renumbered
remaining footnotes.

Acronyms and Abbreviations

MILAIR	Military Airlift
OSA	Operational Support Airlift
USASOC	U.S. Army Special Operations Command
USSOCOM	U.S. Special Operations Command
USTRANSCOM	U.S. Transportation Command

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD IG Director for Whistleblowing & Transparency. For more information on your rights and remedies against retaliation, go to the Whistleblower webpage at www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

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